

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 14

ATTACHMENTS: 5

ACTION: _____

DATE OF MEETING: March 6, 2002

INFORMATION: X

PRESENTER: Christopher J. Ailman

Attached are the monthly reports for the period ending January 31, 2002. This month staff has also included a summary of the Fund's investment performance for the period ending December 31, 2001. The Board's consultant will present a more detail review of performance at the April meeting. Listed below is a brief summary of the developments that have occurred in the financial markets from end of the reporting period to the date of the Committee packet. Also listed is a comparison of the same indices for the current fiscal year to date.

	Jan. 31, 2002	Feb. 14, 2002	Direction
Interest rates:			
Federal Funds (target)	1.81%	1.81%	↕ Trading range
10-year U.S. Treasury Note yield	5.03%	4.95%	↕ Trading range
30-year U.S. Treasury Bond yield	5.40%	5.41%	↕ Trading range
U.S. Equity market:			
Russell 3000 Index	625.60	617.79	↓ Down 7.81
S&P 500 Index	1130.20	1116.48	↓ Down 13.72
NASDAQ Index	1934.03	1843.37	↓ Down 90.66
Non-U.S. Equity market:			
MSCI ACWI free (ex. U.S.)	146.28	147.99	↑ Up 1.71
MSCI EAFE	1093.11	1106.49	↑ Up 13.38
MSCI Emerging Markets	327.75	334.75	↑ Up 7.00
Currencies:			
Euro in U.S.\$.86	.87	↕ Trading range
Yen per U.S. \$	134.68	132.07	↕ Trading range
British Pound in U.S.\$	1.41	1.43	↕ Trading range
Commodities:			
Crude Oil per barrel	\$19.48	\$21.23	↑ Up \$1.75
Gold	\$282.10	\$299.70	↑ Up \$17.60
Mega Watt Hour (CA-OR on-peak)	\$23.09	\$21.93	↕ Trading range

This chart is provided as overview for changes in the financial markets since the beginning of the Fiscal Year.

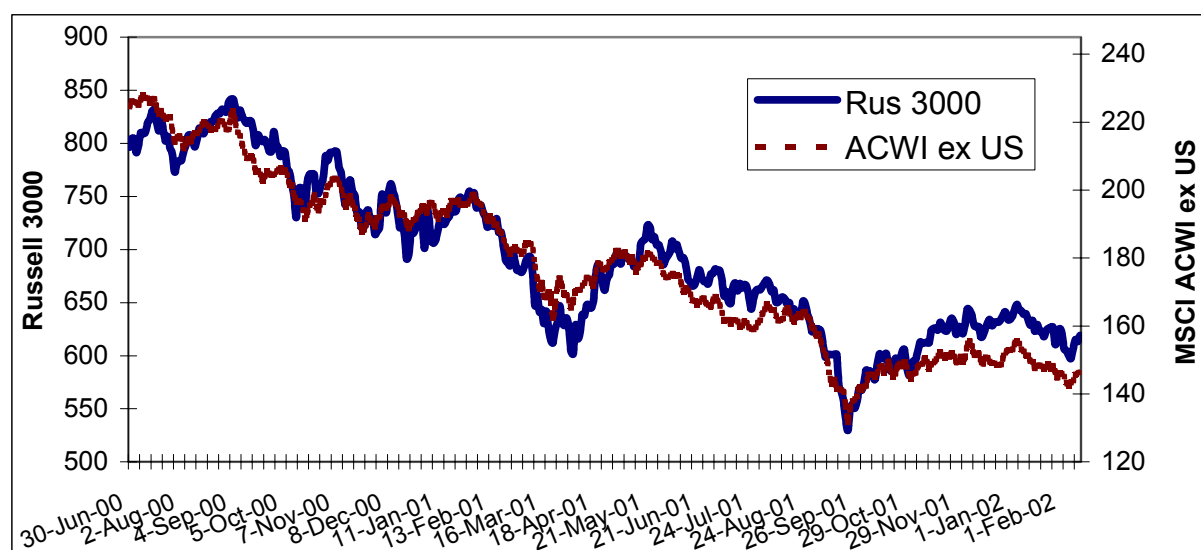
	June 30, 2001	Feb. 14, 2002	Direction
Interest rates:			
Federal Funds	4.00%	1.81%	↓ Down 219 BP
10-year U.S. Treasury Note yield	5.39%	4.94%	↓ Down 45 BP
30-year U.S. Treasury Bond yield	5.74%	5.41%	↓ Down 33 BP

U.S. Equity market:			
Russell 3000 Index	677.35	617.79	↓ Down 59.56
S&P 500 Index	1224.42	1116.48	↓ Down 107.94
NASDAQ Index	2160.54	1843.37	↓ Down 317.17

Non-U.S. Equity market:			
MSCI ACWI free (ex. U.S.)	167.46	147.99	↓ Down 19.47
MSCI EAFE	1261.49	1106.49	↓ Down 155.00
MSCI Emerging Markets	322.89	334.75	↑ Up 11.86

Currencies:			
Euro in U.S.\$.85	.87	↕ Trading range
Yen per U.S. \$	124.72	132.07	↑ Stronger U.S. \$
British Pound in U.S.\$	1.41	1.43	↕ Trading range

Commodities:			
Crude Oil per barrel	\$26.24	\$21.23	↓ Down \$5.01
Gold	\$270.00	\$299.70	↑ Up \$29.70
Mega Watt Hour (CA-OR on-peak)	\$81.00	\$21.93	↓ Down \$59.07





CalSTRS INVESTMENT COMMITTEE

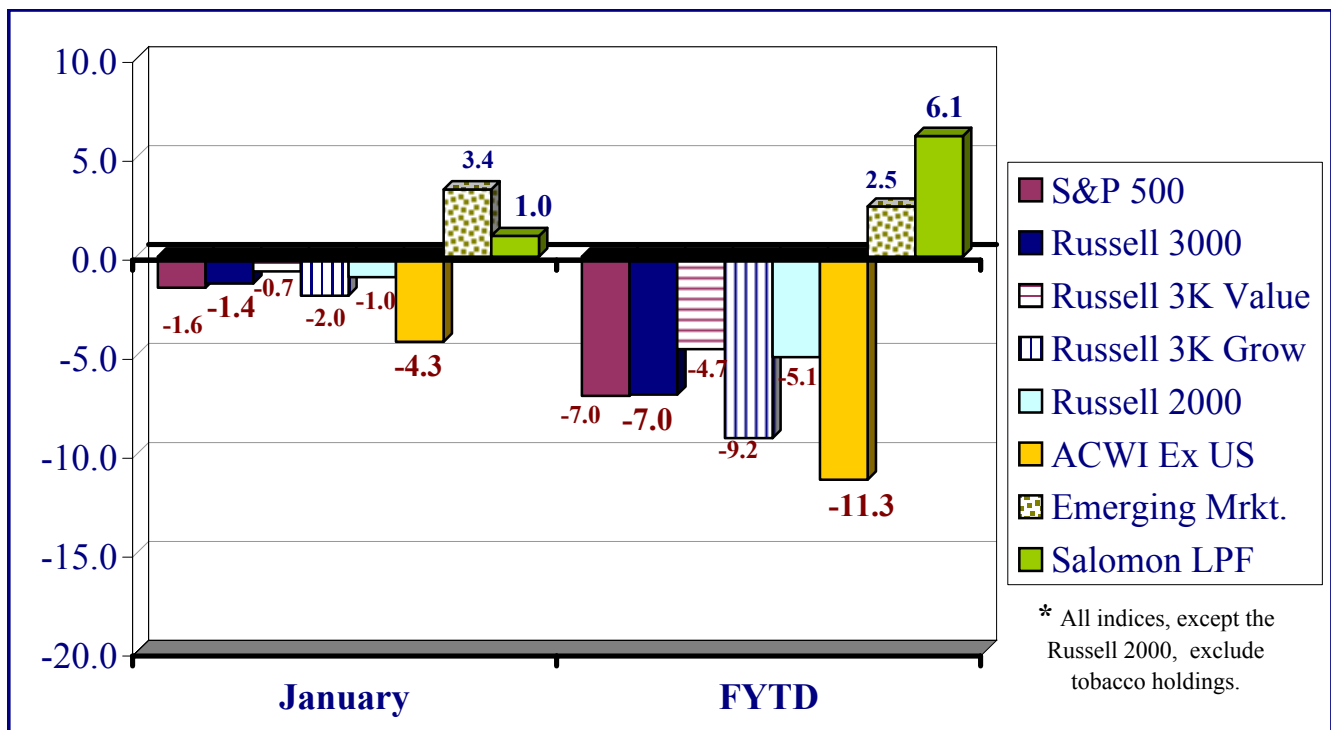
Chief Investment Officer Report

Capital Market Environment January 31, 2002

Russell 3000 January 1, 1999 - January 31, 2002 (Weekly Price)



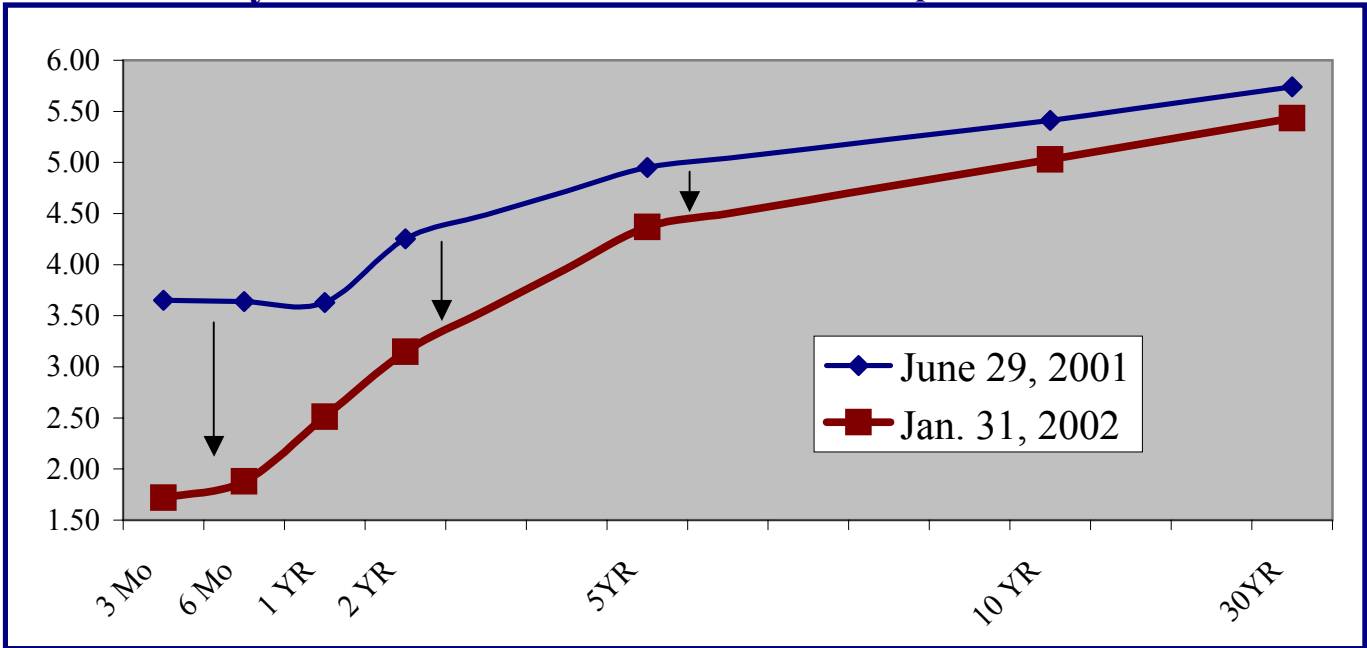
Capital Market Returns - Month of January and Fiscal Year to Date



Capital Markets Data



U.S. Treasury Yield Curve Fiscal Year '01 close compared to Jan. 31, 2002



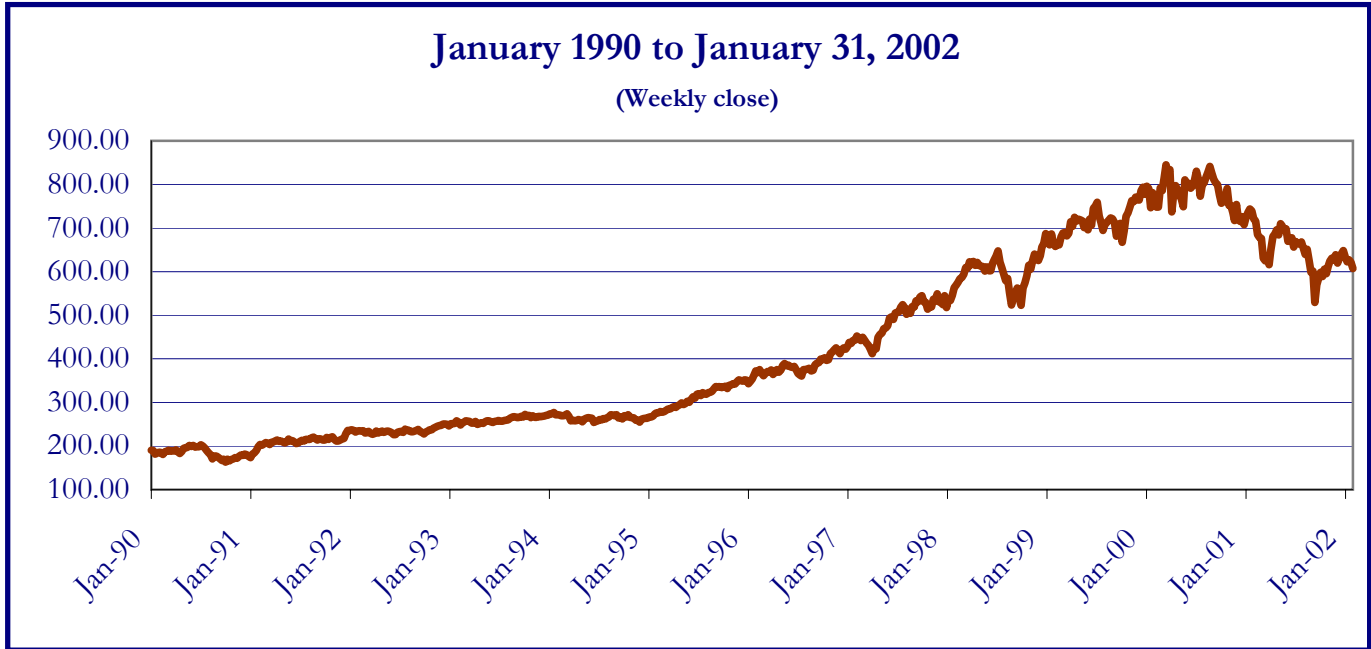
Russell 3000 Weekly close from January 1995 to January 31, 2002



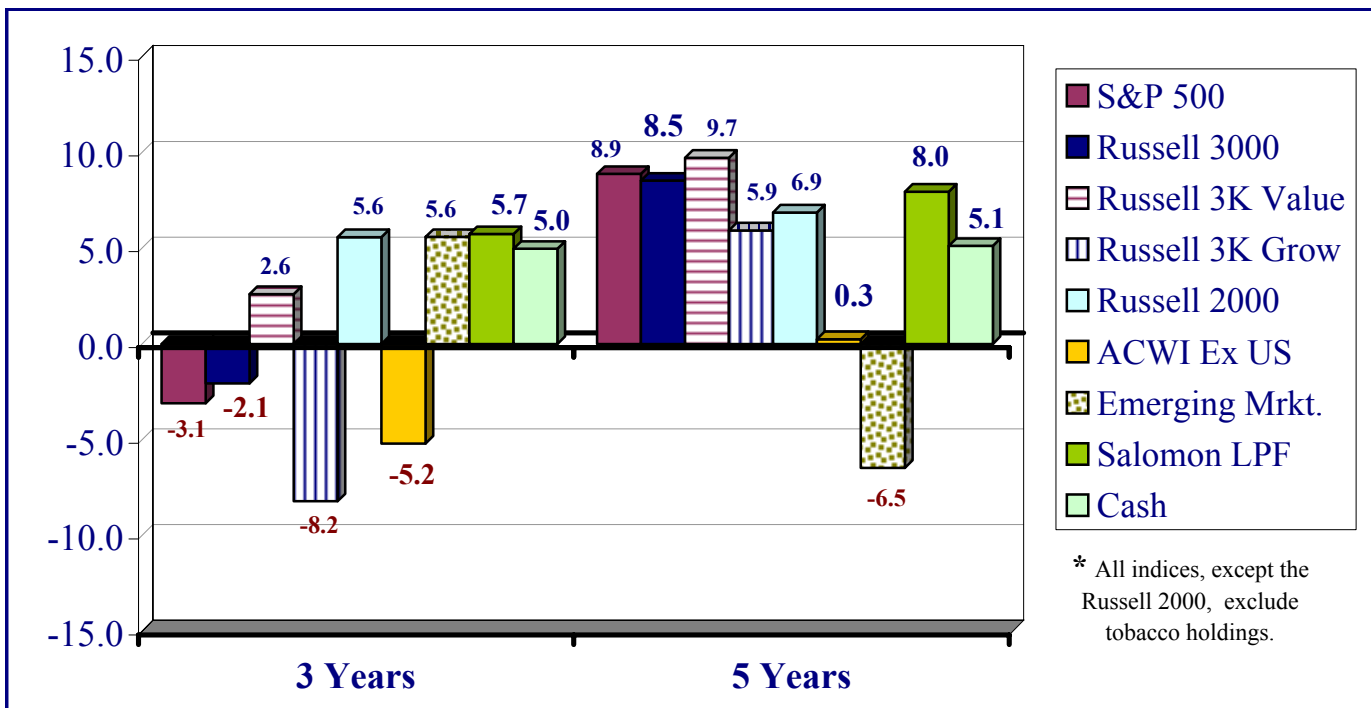
Review of Long-Term Capital Markets Data



Russell 3000 since the 1990's



Capital Market Returns - For the 3 & 5 years ending January 31, 2002





CalSTRS Retirement Fund

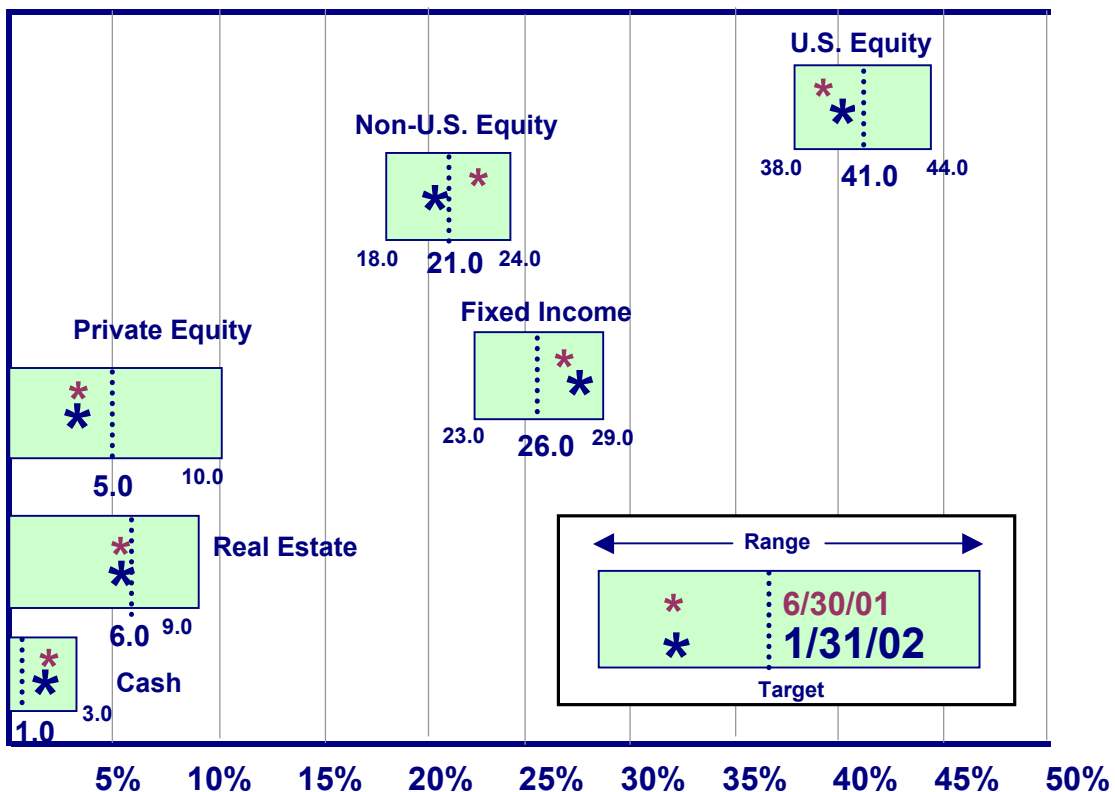
Monthly Asset Allocation Report

As of January 31, 2002

	FY '01-'02 TARGETS	ACTUAL January-02	Off Target (000s)
U.S. Equity	41%	40.1%	\$ (917,417)
Non-U.S. Eq.	21%	20.4%	\$ (625,168)
Fixed Income	26%	28.3%	\$ 2,267,805
Private Equity	5%	4.4%	\$ (596,201)
Real Estate	6%	5.2%	\$ (761,813)
Cash	1%	1.6%	\$ 632,794

Current Allocation

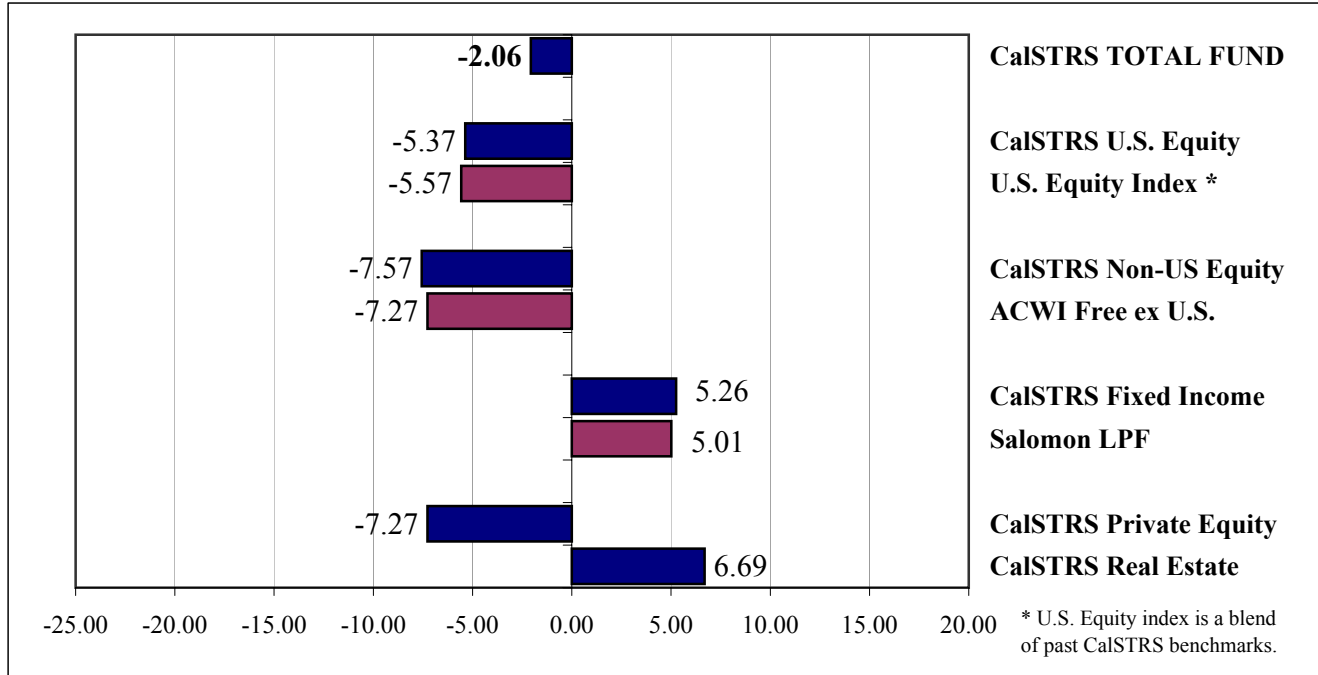
versus Long Term Targets and Policy Ranges



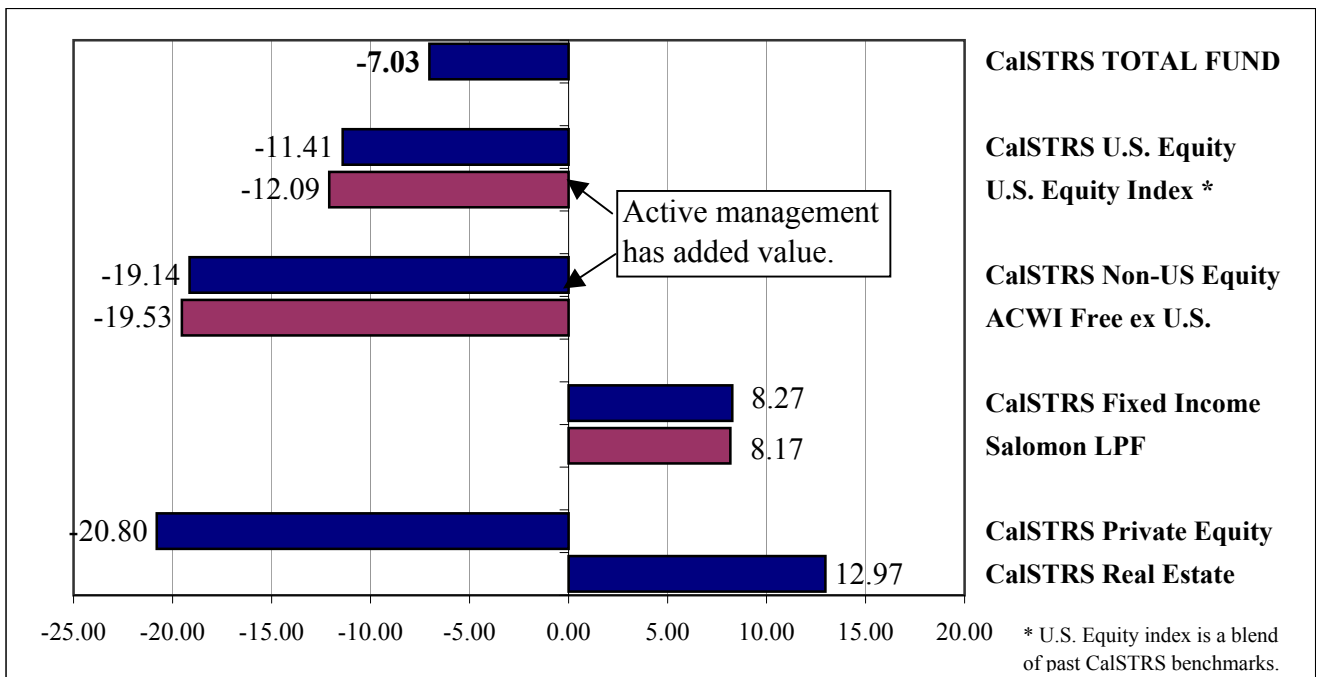


INVESTMENT RETURNS For the Periods Ending December 31, 2001

Fiscal Year to Date (June 30, 2001 to Dec. 31, 2001)



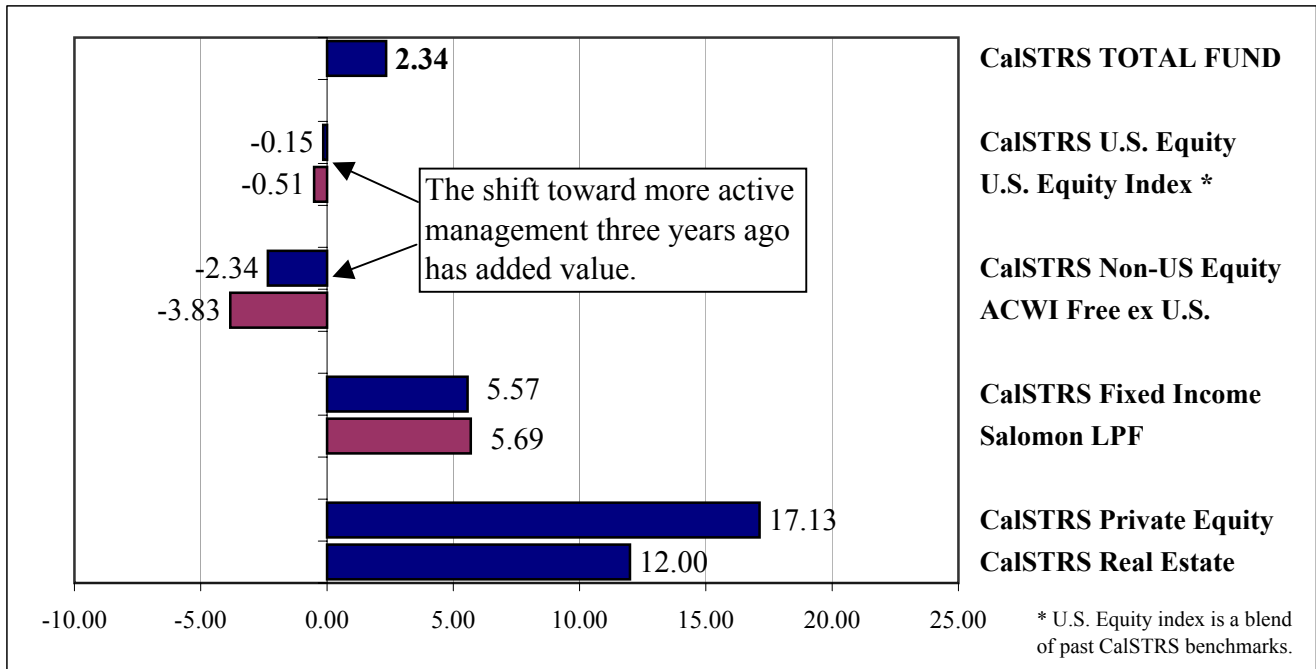
2001 Calendar Year Performance



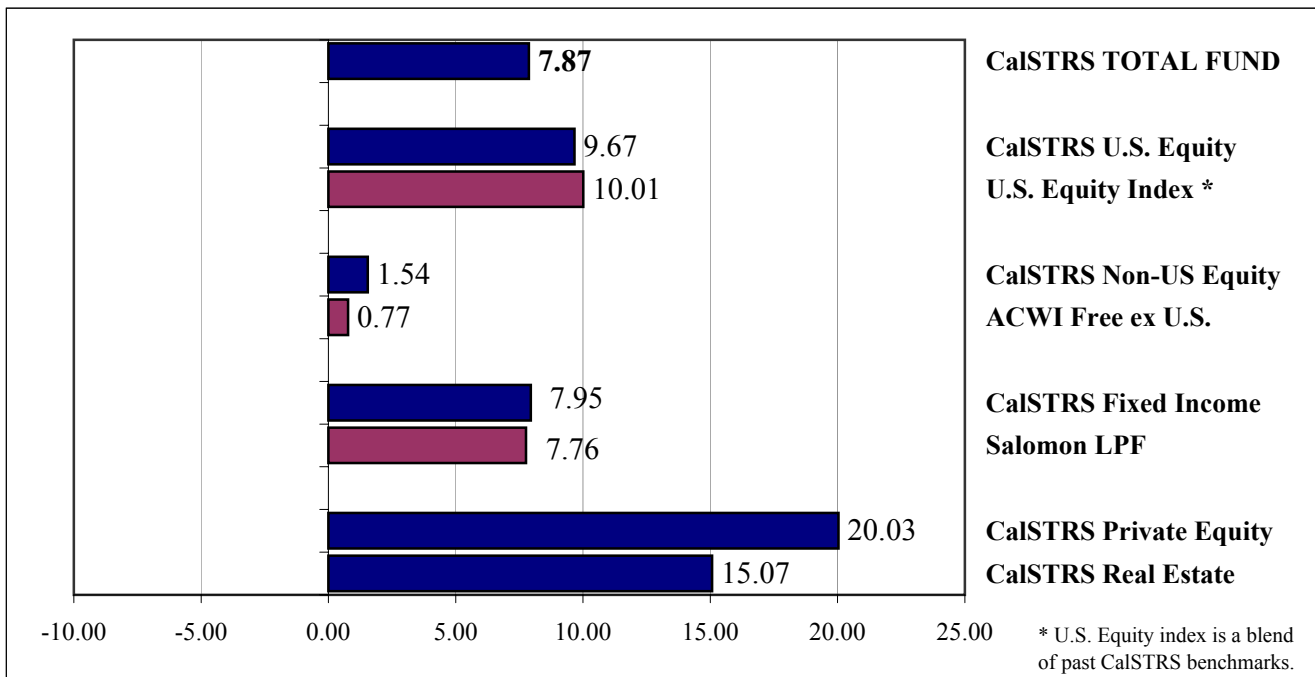


INVESTMENT RETURNS For the Periods Ending December 31, 2001

3 Year Performance



5 year Performance



Investment Summary - Market Value (amounts in millions)								
Asset	This Month		One Year Ago		Three Years Ago		Five Years Ago	
Domestic Equity	\$ 39,954	40.1%	\$ 43,520	39.6%	\$ 42,575	44.9%	\$ 23,591	34.3%
International Equity	20,308	20.4%	25,565	23.3%	19,954	21.0%	12,917	18.8%
Fixed Income	28,120	28.2%	29,579	26.9%	26,241	27.6%	25,320	36.9%
Global Asset Allocators	N/A	N/A	N/A	N/A	1,227	1.3%	2,582	3.8%
Real Estate	5,219	5.2%	4,135	3.8%	2,084	2.2%	1,812	2.6%
Alternative Investments	4,388	4.4%	5,275	4.8%	2,235	2.4%	1,238	1.8%
Liquidity	1,628	1.6%	1,803	1.6%	595	0.6%	1,225	1.8%
Total Market Value	\$ 99,617	100.0%	\$ 109,877	100.0%	\$ 94,911	100.0%	\$ 68,685	100.0%

Performance Returns for Major Asset Categories						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	-1.55	-6.83	-15.82	-1.68	8.23	12.02
Int'l Equity	-4.09	-11.34	-23.14	-3.69	1.10	N/A
Fixed Income	0.95	6.25	7.56	5.57	8.21	8.41
Real Estate	N/A	N/A	12.97	12.00	15.07	7.74
Alternative Investments	N/A	N/A	-21.31	16.35	19.71	19.60
Liquidity	0.27	2.72	5.28	6.10	6.09	5.62
Total Fund	-1.23	-3.26	-10.07	1.34	7.34	9.05
Indicies						
Domestic Equity Custom *	-1.36	-6.98	-15.77	-2.06	8.53	12.40
MSCI AC ex US *	-4.31	-11.27	-24.22	-5.20	0.25	4.24
Salomon LPF	1.04	6.10	7.38	5.74	7.96	8.29
Real Estate Custom	N/A	N/A	9.52	10.80	12.04	7.41
T-Bill	0.16	1.72	3.72	4.85	4.96	4.67
Consumer Price Index	-0.39	-1.12	0.52	2.32	2.04	2.46
Russell 3000 *	-1.36	-6.98	-15.77	-2.06	8.53	12.51
MSCI EAFE *	-5.34	-12.99	-25.71	-6.71	0.49	4.10
MSCI Emerging Mkt Free*	3.39	2.53	-11.53	5.59	-6.47	2.20
LB Gov / Corp	0.73	5.59	7.49	5.90	7.49	7.51

Allocations of Cash and Reallocations of Assets (does not include changes in the market value)		
	Current Month	Past 12 Months
Cash Inflow:		
Contributions & misc receipts	\$ 431.5	\$ 4,538.1
Less: Benefits & misc. payments	\$ (422.1)	\$ (4,383.1)
Investment Income	\$ 231.3	\$ 3,812.0
Total Cash Inflow	\$ 240.7	\$ 3,967.0
Cash Allocation:		
Domestic Equity	\$ 39.8	\$ 3,742.9
International Equity	\$ 0.7	\$ 1,207.6
Fixed Income	\$ 33.4	\$ (1,771.8)
Real Estate	\$ 35.0	\$ 613.0
Alternative Investments	\$ 22.8	\$ 393.8
Liquidity	\$ 109.1	\$ (218.7)
Total Cash Allocation	\$ 240.7	\$ 3,967.0

* Indicies reflect ex Tobacco returns beginning 9/1/2000

Asset Allocation Percentage				
Assets	Actual	Target	Difference	Range
Public Equity	60.5%	62.0%	(1.5%)	56 - 68
Public Fixed Income	29.9%	27.0%	2.9%	23 - 32
Private Equity	9.6%	11.0%	(1.4%)	8 - 14
Total Investment Assets	100.0%	100.0%		
Which can be compared to the strategic targets				
Active - Domestic Equity	7.9%	8.2%	(0.3%)	5-11
Passive - Domestic Equity	32.2%	32.8%	(0.6%)	30-36
TOTAL DOMESTIC EQUITY	40.1%	41.0%	(0.9%)	38 - 44
Active - International Equity	9.0%	10.5%	(1.5%)	7 - 14
Passive -International Equity	11.3%	10.5%	0.8%	7 - 14
TOTAL NON-US EQUITY	20.4%	21.0%	(0.6%)	18 - 24
TOTAL PUBLIC EQUITY	60.5%	62.0%	(1.5%)	56 - 68
Real Estate	5.2%	6.0%	(0.8%)	
Alternative Investments	4.4%	5.0%	(0.6%)	
TOTAL PRIVATE EQUITY	9.6%	11.0%	(1.4%)	8 - 14
Domestic Fixed Income	28.2%	26.0%	2.2%	23 - 29
Liquidity	1.6%	1.0%	0.6%	0 - 3
TOTAL FIXED & LIQUIDITY	29.9%	27.0%	2.9%	23 - 32
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

Currency Hedging - Market Value (amounts in millions)

Managers	Pacific Basin		European		Total	
Active International	\$ 2,412.40	8.5%	\$ 5,835.16	0.5%	\$8,247.56	2.8%
Passive International	\$ 2,578.21	21.1%	\$ 7,295.69	0.0%	\$9,873.90	5.5%

* Does not include emerging market securities, Canadian stocks, cash or accruals.

Currency Realized Gains/(Losses) (amounts in millions)

Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	\$1.11	\$19.80	\$101.39
Passive International	\$13.64	\$141.67	\$618.66

Securities Lending Income

Asset	Current Fiscal Year 7/01-01/02	vs.	Prior Fiscal Year 7/00-01/01
Domestic Equity	\$12,569,145		\$6,535,903
International Equity	\$18,077,434		\$13,569,181
US Treasury	\$22,462,307		\$10,030,757
Other Fixed Income Securities	\$1,720,368		\$473,820
Total Income	<u>\$54,829,254</u>		<u>\$30,609,661</u>

Securities Lending (On-Loan/Collateral Summary)

Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$2,571,539,100	\$2,689,766,238	105%
International Equity	\$3,659,124,731	\$3,851,184,906	105%
US Treasury	\$8,105,315,487	\$8,295,560,614	102%
Other Fixed Income Securities	\$353,397,762	\$361,656,071	102%
Total Value	<u>\$14,689,377,080</u>	<u>\$15,198,167,829</u>	103%

California State Teachers' Retirement System

Attachment 4

Investment Committee - Item 14

Monthly Investment Summary - In~Sight

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	Market Value			Market Value			Market Value	
	12/31/01	Market %		1/31/02	Market %		Difference	% Diff.
<i>Liquidity</i>								
Cash Allocation	1,393,129,795			1,499,635,558			106,505,763	
US Cash Equitization	131,767,673			129,976,546			(1,791,126)	
Total Liquidity	1,524,897,468	1.51%		1,629,612,105	1.64%		104,714,637	0.12%
<i>Domestic Equity</i>								
Active								
Ariel Capital	509,637,273			509,909,225			271,952	
BGI - Enhanced	606,291,590			596,876,670			(9,414,920)	
Brinson Partners	606,297,262			601,391,435			(4,905,827)	
Brown Capital Management	357,884,059			357,251,055			(633,004)	
Chicago Equity Partners	443,781,965			435,800,001			(7,981,964)	
Delaware Investment Adv	458,376,801			458,298,634			(78,167)	
Delphi Management, Inc	223,774,811			225,074,358			1,299,547	
Denver Investment Advisors	607,688,564			604,257,601			(3,430,963)	
DSI International Management	659,967,021			649,644,915			(10,322,106)	
First Quadrant	438,842,224			432,069,555			(6,772,669)	
Mellon Capital Management	545,237,165			536,501,768			(8,735,397)	
NCM Capital Management	441,320,112			435,928,194			(5,391,917)	
Putnam Investments	327,145,842			319,310,560			(7,835,282)	
Sasco Capital	807,264,450			812,690,930			5,426,480	
SSgA - Enhanced	662,697,329			654,714,925			(7,982,404)	
TCW Asset Manangement Co	284,445,037			267,303,853			(17,141,184)	
Passive								
BGI Extended Market Index	3,002,413,068			2,917,606,757			(84,806,310)	
BGI S&P 500 Index	13,364,049,879			13,448,135,782			84,085,904	
SSgA - Extended Mkt Index	2,284,729,912			2,222,534,309			(62,195,603)	
STRS S&P 500 Index	13,383,448,461			13,466,780,829			83,332,367	
Transition								
STRS Domestic	563,607,770			51,271			(563,556,499)	
Total Domestic Equity	40,578,900,595	40.26%		39,952,132,628	40.11%		(626,767,967)	(0.15%)
<i>International Equity</i>								
Active								
Bank of Ireland Asset Management	818,255,500			773,934,532			(44,320,968)	
Battery March Financial Mgmt Inc	383,452,196			369,097,673			(14,354,523)	
Blackrock, Inc.	231,110,426			223,128,813			(7,981,613)	
Brinson Partners Non-USEQ	424,682,632			406,546,633			(18,135,999)	
Capital Guardian Trust	1,171,110,560			1,115,006,500			(56,104,060)	
Delaware Int'l Advisors Inc.	450,287,001			445,364,049			(4,922,952)	
Fidelity Management Co.	450,690,419			432,428,434			(18,261,985)	
Fiduciary Trust	531,419,286			505,180,183			(26,239,103)	
Goldman Sachs Asset Mgmt	345,144,263			324,415,932			(20,728,331)	
Lazard Freres	717,401,882			684,808,252			(32,593,630)	
Marvin & Palmer Assoc, Inc.	383,324,129			368,312,811			(15,011,317)	
Morgan Stanley	718,537,304			689,367,708			(29,169,596)	

California State Teachers' Retirement System

Attachment 4

Investment Committee - Item 14

Monthly Investment Summary - In~Sight

Page 2 of 2

	Market Value		Market Value		Market Value	
	12/31/01	Market %	1/31/02	Market %	Difference	% Diff.
Newport Pacific Mgmt	219,244,785		213,339,085		(5,905,699)	
Nicholas-Applegate Capital Mgmt	410,915,131		394,391,825		(16,523,306)	
Oechsle International	1,017,336,025		988,398,428		(28,937,596)	
Schroder Capital	475,912,244		452,071,158		(23,841,086)	
Scudder Kemper Investments	656,333,660		628,533,574		(27,800,087)	
Passive						
BGI - EAFE Index	6,310,347,735		5,978,555,027		(331,792,708)	
SSgA - EAFE Index	4,163,326,139		3,944,709,419		(218,616,720)	
SSgA - Emerging Market Index	1,309,129,230		1,370,417,794		61,288,564	
Transition						
STRS International	9,735		8,410		(1,326)	
Total International Equity	21,187,970,283	21.02%	20,308,016,241	20.39%	(879,954,042)	(0.63%)
Fixed Income						
Corporate Bond Index	9,450,873,707		9,479,438,008		28,564,302	
Mortgage Backed Security Index	8,076,989,069		8,245,464,348		168,475,279	
Mortgage Loan	738,132,293		641,269,258		(96,863,035)	
Seix Investment Advisors	0		297,598,546		297,598,546	
US Treasury & Agency Index	9,651,329,841		9,456,728,189		(194,601,653)	
Total Fixed Income	27,917,324,910	27.70%	28,120,498,350	28.23%	203,173,440	0.53%
Real Estate						
CB Richard Ellis	1,600,213,857		1,586,822,975		(13,390,882)	
Clarion Partners, LLC	397,000,054		406,959,289		9,959,235	
Heitman Capital Management	385,748,026		386,637,050		889,024	
Lend Lease	1,153,030,355		1,144,378,563		(8,651,792)	
Lowe Enterprises Inv Mgmt	157,242,115		158,124,766		882,651	
MIG Realty Advisors	377,566,430		378,875,958		1,309,528	
Sentinel Realty Advisors	42,253,053		40,013,736		(2,239,317)	
Special Situations	452,529,074		453,336,247		807,173	
SSR Realty Advisors	497,710,882		502,615,605		4,904,723	
Thomas Properties Group	159,024,875		161,333,094		2,308,219	
Total Real Estate	5,222,318,720	5.18%	5,219,097,282	5.24%	(3,221,438)	0.06%
Alternative Investments						
Distributed Stock	13,031,251		5,170,845		(7,860,407)	
Limited Partnerships	4,352,747,704		4,382,719,909		29,972,206	
Total Alternative Investments	4,365,778,955	4.33%	4,387,890,754	4.40%	22,111,799	0.07%
Grand Total	100,797,190,931	100.00%	99,617,247,359	100.00%	(1,179,943,572)	

PLEASE NOTE:

All Figures Include Accruals

The Information contained in this report is UNAUDITED

Member Home Loan Securitization Principal Balance as of 1/31/2002 is \$77,291,839

The Internally Managed Cash Collateral Portfolio is NOT included above.

The Net Asset Value as of 1/31/2002 is \$6,401,532,727

California State Teachers' Retirement System
Internal S&P 500 ex-Tobacco Indexed Portfolio

The California State Teachers' Retirement System's internal S&P 500 ex-Tobacco Indexed Portfolio (Portfolio) was \$13,466,780,829 as of January 31, 2002. The Portfolio seeks to closely track the return of the custom S&P 500 ex-Tobacco Index².

Table 1 below shows the returns of the Portfolio¹.

Table 1: Performance as of January 31, 2002

Period	Portfolio	Index	Tracking Error
Total Return			
1998, Apr-Dec	+12.892%	+12.975%	-0.084%
1999	+21.111%	+20.987%	+0.124%
2000	-9.450%	-9.486%	+0.036%
2001	-12.060%	-12.098%	+0.038%
2002 YTD	-1.572%	-1.574%	+0.002%
Annualized Return			
1 Year	-16.441%	-16.481%	+0.040%
2 Years	-9.158%	-9.196%	+0.038%
3 Years	-3.050%	-3.094%	+0.044%

¹ Inception date of March 31, 1998

² Effective September 1, 2000, the benchmark for the CalSTRS S&P 500 ex-Tobacco Indexed Portfolio is the custom S&P 500 ex-Tobacco Index